

Message Text

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PAGE 01 SANTIA 03498 151817Z

42

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 AGR-20 SIL-01 LAB-06 FRB-02 XMB-07

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TAGS: ECON, EFIN, CI

SUBJECT: GOC ANNOUNCES ECONOMIC POLICY OBJECTIVES

1. SUMMARY: IN WHAT PRESS BILLED AS A MAJOR ANNOUNCEMENT JUNE 1-, ECONOMY MINISTER FERNANDO LENIZ AND FINANCE MINISTER REAR ADMIRAL LORENZO GOTUZZO SYNTHESIZED ONCE AGAIN THE DISASTROUS STATE OF THE ECONOMY BROUGHT ABOUT BY ALLENDE'S POLICES; SET A TARGET GROWTH RATE FOR THE REMAINDER OF THE DECADE OF 7 TO 10 PERCENT IN ORDER TO DOUBLE GNP BY 1984; AND LISTED IMMEDIATE STEPS WHICH WOULD BE TAKEN TO REACH THAT GOAL AND TO ELIMINATE EXTREME POVERTY IN CHILE. END SUMMARY

2. JUNE 14 PRESS GAVE EXTENSIVE COVERAGE TO JOINT ANNOUNCEMENT ON JUNE 13 OF MINECON LENIZ AND MINFIN GOTUZZO. MINISTERS REITERATED THAT FUNDAMENTAL OBJECTIVE OF JUNTA IS TO OBTAIN MAXIMUM SOCIAL AND ECONOMIC DEVELOPMENT IN AN ATMOSPHERE OF NATIONAL INTEGRATION WHICH WILL INVOLVE ALL CHILEANS IN TASK AS WELL AS BENEFITS OF RECONSTRUCTION.

3. MINISTERS SYNTHESIZED ALLENDE ECONOMIC POLICIES WHICH
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PAGE 02 SANTIA 03498 151817Z

THEY SAID PRODUCED CURRENT EXPLOSIVE INFLATION, CUT CITIZEN'S

BUYING POWER IN HALF, DESTROYED AGRICULTURAL SECTOR, AND LOST \$1 BILLION IN FOREIGN EXCHANGE RESERVES IN THREE YEARS.

4. MINISTERS SAID CHILEAN ECONOMY SHOULD GROW AT NO LESS THAN 7 PERCENT ANNUALLY IN 1976-77. ECONOMIC POLICY WILL INSURE SUFFICIENT INVESTMENT TO ALLOW GROWTH RATE OF 10 PERCENT BY 1980 WHICH WILL DOUBLE CURREENT GNP BY 1984.

5. MINISTERS ANNOUNCED FOLLOWING IMMEDIATE ACTIONS WHICH WILL BE TAKEN TO ATTAIN GOC OBJECTIVES:

(A) WAGES WILL BE READJUSTED 20 PERCENT ON JULY 1, AND DEPENDENT ALLOWANCE RAISED FROM 4,000 TO 5,000 ESCUDOS. FURTHER WAGE READJUSTMENT OF 15 PERCENT SET FOR OCTOBER 1.

(B) SOCIAL STATUTE OF ENTERPRISE WILL BE PROMULGATED AS SOON AS CONSULTATIONS WITH WORKERS AND ENTREPRENEURS COMPLETED.

(K) DECREE LAW WILL SOON ESTABLISH MINIMUM 12 MONTH GUARANTEED EMPLOYMENT FOR WORKERS WHO UNWILLINGLY LOSE JOBS. NEW SYSTEM WILL REPLACE PRESENT INSUFFICIENT" UNEMPLOYMENT COMPENSATION.

(D) WORKER- CONTROLLED SAVINGS AND INSURANCE INSITUION WILL BE CREATED TO TAKE OVER ACCUMULATED SEVERANCE PAY AND RETIREMENT FUNDS (APPARENTLY POOLING FUNDS NOW HELD BY INDIVIDUAL ENTERPRISES).

(E) PROGRAM TO ELIMINATE EXTREME POVERTY, NOW BEINGPARTIALLY ACCOMPLISHED THROUGH "EXTRAORDINARY" ADJUSTMENTS OF WAGES AND ALLOWANCES, WILL CONTINUE.

(F) FOREIGN INVESTMENT CODE WILL BE PUBLISHED IN A FEW DAYS. IT WILL ATTRACT APPROXIMATELY \$1 MILLION, MOSTLY IN MINING SECTOR.

6. MORE GENERALLY, MINISTERS SAID GOC INTENDS TO ESTABLISH AND MAINTAIN REALISTIC EXCHANGE RATES AND PRICES, LOWER TARIFF BARRIERS, EXPAND CAPITAL MARKETS, AND CARRY OUT FURTHER TAX REFORM. IN AGRICULTURAL SECTOR, GOC PLANS TO DISTRIBUTE LAND TO 50,000 FAMILIES IN THREE YEARS AND TO END DECAPITALIZATION OF SECTOR IN FIVE YEARS. LOW COST HOUSING PROGRAM WILL BE CARRIED OUT THROUGH MUNICIPALITIES AND FINAL STUDY BEING COMPLETED OF PROGRAM T IMPORT SCARECE CONSTRUCTION MATERIALS LIMITED OFFICIAL USE

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PAGE 03 SANTIA 03498 151817Z

AND PREFAB HOUSING.

7. COMMENT: ALTHOUGH PRESENTED AS BOLD, NEW STATEMENT OF GOC ECONOMIC POLICIES, MINISTERS' PRESENTATION IS LARGELY RECOMPILATION OF PREVIOUSLY ANNOUNCED OBJECTIVES AND PROGRAMS, ONE MORE REMINDER OF THE CAUSE (ALLENDE) OF PRESENT ECONOMIC AUSTERITY MEASURES, AND REITERATION OF PROMISES THAT SOCIAL CONSIDERATIONS WILL NOT BE IGNORED

BY ECONOMIC PLANNERS. PRESUMABLY, GOC HANDLED STATEMENT
IN WAY IT DID AS ONE MORE EFFORT TO COUNTER WHAT IT PERCEIVES
TO BE GROWING DISCONTENT WITH AND CRITICISM OF THE EFFECTS
OF ITS ECONOMIC PROGRAMS.

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